



American Recovery and Reinvestment Act (ARRA) **Compliance**



Internal Controls:

The Office of the Tennessee Recovery Act Management's (TRAM) Directive No. 6 states, "All local agencies, including city and county governments and non-profit organizations receiving ARRA funds must follow internal control guidance prescribed by the State of Tennessee Comptroller of the Treasury, Division of Municipal Audit and Division of County Audit."

Management is responsible for establishing and maintaining a system of internal controls. The following internal control procedures will meet the requirements of TRAM Directive No. 6 from the perspective of the Division of County Audit. The directive and related procedures only apply to offices/funds that receive ARRA grants:

- A. Any county government that had an internal control finding related to **receipting funds**, as published in the June 30, 2008, audit report, must correct the deficiency. If the June 30, 2008, audit report has not yet been published, the government should correct any significant deficiency or material weakness in internal controls related to the **receipting of funds** that is known by the county government (for example, through the latest exit conference).
- B. Any county government that had an internal control finding related to **disbursing/expending funds**, as published in the June 30, 2008, audit report, must correct the deficiency. If the June 30, 2008, audit report has not yet been published, the government should correct any significant deficiency or material weakness in internal controls related to the **disbursing/expending of funds** that is known by the county government (for example, through the latest exit conference).
- C. Any county government that had an internal control finding related to a **federal grant**, as published in the June 30, 2008, audit report, must correct the deficiency. If the June 30, 2008, audit report has not yet been published, the government should correct any significant deficiency or material weakness in internal controls related to a **federal grant** that is known by the county government (for example, through the latest exit conference or federal monitoring report).
- D. County governments that had a segregation of duties finding generally have a **receipting** and/or **disbursing** deficiency in internal controls (refer to A. & B. above). In this situation, the county government should take steps to provide at least a minimum level of segregation of duties. In most circumstances, a minimal level of segregation of duties can be achieved with as few as two employees. Call the Division of County Audit (615-401-7951) if you need help making a determination about the minimal required level of segregation of duties.